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CONTENTS

Sr. No.	TITLE & NAME OF THE AUTHOR (S)	Page No.
1.	DIFFERENCE IN THE BUSINESS STRATEGIES ADOPTED BY BANKS: A REVIEW OF BANKS IN THE UAE <i>DR. KAUP MOHAMED</i>	1
2.	CUSTOMER'S CRITERIA IN SELECTING A BANK: A CASE OF PAKISTANI BANKING INDUSTRY <i>DR. ANSAR ALI RAJPUT, SABIR HUSSAIN KALHORO & SAIMA AMMAR</i>	4
3.	THE RELATIONSHIP BETWEEN THE FOREIGN DIRECT INVESTMENT AND BANKING INDUSTRY <i>MEHDI BEHNAME & MOHAMMAD JAVAD RAZMI</i>	9
4.	IMPORTANCE AND IMPACT OF FOREIGN DIRECT INVESTMENTS IN GCC COUNTRIES AND ITS INWARD FLOW <i>GEEVARGHESE PHILIP MALAYIL & ARINDAM BANERJEE</i>	12
5.	ISLAMIC BANKING IN INDIA: DEVELOPMENTS, PROSPECTS AND CHALLENGES <i>MANZAR ALI KHAN & NAZIMAH HUSSIN</i>	24
6.	ETHICS AND JOURNALISM EDUCATION IN NIGERIA <i>DR. IFEDAYO DARAMOLA & IBUKUN AKINSULI</i>	29
7.	DIVERSIFICATION AS A BUSINESS GROWTH AND SUSTAINABILITY STRATEGY IN GAINING COMPETITIVE ADVANTAGE <i>ESTHER WANJIRU MAINA</i>	34
8.	THE IMPACT OF COMPLIANCE WITH INFORMATION DISCLOSURE IN FINANCIAL STATEMENTS ON TOTAL ASSETS, PROFITABILITY AND EARNINGS PER SHARES OF QUOTED COMPANIES IN NIGERIA <i>SAMUEL IYIOLA KEHINDE OLUWATOYIN & UMOGBAI, MONICA E.</i>	39
9.	FERTILITY DECISIONS OF HOUSEHOLDS IN RESPONSE TO ENVIRONMENTAL GOODS SCARCITY: THE CASE OF SEKOTA DISTRICT, WAG HIMRA ADMINSTRATE ZONE OF THE AMHARA REGION, ETHIOPIA <i>ZEWDU BERHANIE</i>	51
10.	INVESTMENT POLICY OF COMMERCIAL BANKS IN INDIA <i>DR. BHAVET, PRIYA JINDAL & DR. SAMBHAV GARG</i>	62
11.	IS THERE A WAY OUT? (A CASE STUDY ON DEBT TRAP) <i>DR. K. SANTI SWARUP</i>	68
12.	ANALYSIS OF CAPITAL ADEQUACY OF PRIVATE SECTOR INDIAN BANKS <i>SULTAN SINGH, MOHINA & SAHILA CHOUDHRY</i>	71
13.	CHANGING PARADIGMS OF INSURANCE COMPANIES - A STUDY <i>P.MANIVANNAN</i>	75
14.	A STUDY ON THE IMPORTANCE OF SOFT SKILLS AND POSITIVE ATTITUDE AS PERCEIVED BY INDUSTRY WITH SPECIFIC REFERENCE TO FRESH ENGINEERS <i>B R VENKATESH</i>	78
15.	PROSPECTS AND CHALLENGES OF WOMEN ENTREPRENEURSHIP WITH SPECIFIC REFERENCE TO DALITS <i>DR. ANNAPOORANI & P.DEVI BHUVANESHWARI</i>	86
16.	PROBLEMS OF RURAL MSMEs: A STUDY IN THENI DISTRICT <i>DR. J.MARY SUGANTHI BAI & DR. R.GUNASUNDRADEVI</i>	90
17.	THE DEFINING MOMENTS OF SOCIAL ENTREPRENEURSHIP <i>L. JIBON KUMAR SHARMA & MEMCHA LOITONGBAM</i>	95
18.	DEVELOPMENT AND VALIDATION OF FINANCIAL LITERACY SCALE <i>S.SUGANYA, DR. S. SAKTHIVELRANI & K.DURAI</i>	99
19.	THE ROLE OF MICROFINANCE IN THE DEVELOPMENT OF COTTAGE & SMALL SCALE INDUSTRIES IN NORTH EASTERN REGION OF INDIA <i>DR. HARSH VARDHAN JHAMB & MUSHTAQ MOHMAD SOFI</i>	105
20.	EXCELLENT PRACTICES OF EXPATRIATE RELATIONSHIP MANAGEMENT (ERM) IN INFORMATION TECHNOLOGY ENABLED SERVICE SECTOR <i>RAGHAVENDRA A.N. & DR. NIJAGUNA G.</i>	113
21.	THE ROLE OF MEDIA AGENCY IN ADVERTISING INDUSTRY <i>NEHA SULTANIA & G.TEJASVINI</i>	119
22.	LIQUIDITY, SOLVENCY AND PROFITABILITY ANALYSIS OF MANUFACTURING INDUSTRIES: A STUDY WITH REFERENCE SELECTED MANUFACTURING INDUSTRIES IN INDIA <i>KUSHALAPPA. S & REKHA SHETTY</i>	123
23.	A STUDY ON NPA MANAGEMENT IN INDIAN BANKING INDUSTRY <i>DR. SAMBHAV GARG, PRIYA JINDAL & DR. BHAVET</i>	128
24.	A HUMAN RESOURCE DOWNGRADING - JOB HOPPING <i>DR. M. JANARTHANAN PILLAI & R.V.NAVEENAN</i>	133
25.	WORK LIFE BALANCE: AN OVERVIEW OF INDIAN COMPANIES <i>DR. KARAMVIR SINGH SHEOKAND & PRIYANKA</i>	138
26.	ORGANIZED RETAIL SECTOR IN INDIA – OPPORTUNITIES AND CHALLENGES IN PRESENT ASPECTS <i>DR. RAGHAVENDRA DWIVEDI & RAM KUMAR</i>	144
27.	AN EMPIRICAL EXAMINATION OF PERFORMANCE MANAGEMENT ON EMPLOYEE RETENTION <i>L.R.K. KRISHNAN, SUDHIR WARIER & KETAN KANAUIJA</i>	148
28.	AN EMPIRICAL STUDY OF EFFECTIVENESS OF SALES PROMOTION ACTIVITIES IN A BANK <i>ANKITA SRIVASTAVA & NIRAJ KISHORE CHIMOTE</i>	157
29.	A STUDY ON OCCUPATIONAL HEALTH HAZARDS AMONG WOMEN BEEDI-WORKERS OF MURSHIDABAD DISTRICT IN WEST BENGAL <i>CHANDRA KANTA DAS</i>	163
30.	A PERCEPTUAL STUDY ON BUYING BEHAVIOR OF CUSTOMERS TOWARDS READYMADE GARMENTS <i>IRSHAD AHMAD BHAT</i>	167
	REQUEST FOR FEEDBACK	172

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AN EMPIRICAL EXAMINATION OF PERFORMANCE MANAGEMENT ON EMPLOYEE RETENTION

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ABSTRACT

Performance management has become an integral part of an organization's strategic initiative to align employee goals with its Vision and Mission. Performance management is imperative to ensure the sustenance and competitiveness of an organization in the modern day global knowledge economies. Effective management of employee performance coupled with a robust reward and recognition structure leads to higher employee productivity, engagement and consequentially higher levels of employee retention. Engagement and enablement are both important determinants of employee performance. Retention of key employees is highly critical in ensuring the long-term sustenance and success of a business enterprise. The key performers ensure a ready pipeline for effective succession planning, continuance of business plans while fostering a culture of organizational learning, knowledge dissemination and elimination of recruitment and learning costs. This study is based on the administration of a structured, non standard research instrument to a target group of 129 employees of a leading telecom player in India. The objective of this study is to establish the linkage of performance review, rewards and recognition with employee retention. The data garnered was subjected to partition analysis to identify the causal factors of employee retention and its linkages with organizational performance management systems. The research reinforces the importance of a robust performance management system in aligning employees with the organization's goals, resulting in superior business performance.

KEYWORDS

PMS, Career Planning and Development, Succession Planning, Employee Retention.

INTRODUCTION

The efforts of employees can determine the success and survival of an organization (Drucker, 1994; Barney, 1995), and appraisal is potentially one way in which those efforts can be aligned with the aims of an organization, employees can be motivated and their performance is managed (Orpen, 1997; Martin and Bartol, 1998; Cook and Crossman, 2004). Performance appraisal is among the most important human resource (HR) practices (Boswell and Boudreau, 2002; Judge and Ferris, 1993; Yehuda Baruch, 1996) and one of the more heavily researched topics in work psychology (Fletcher, 2002), a subject of research for over 70 years (Landy and Farr, 1980). Still, many organizations express dissatisfaction with their appraisal schemes (Fletcher, 1997). According to Fletcher (2001), this may signal a lack of success of performance appraisal as a mechanism for developing and motivating people.

Performance appraisal has increasingly become part of a strategic approach to integrating HR activities and business policies and may now be seen as a generic term covering a variety of activities through which organizations seek to assess employees and develop their competence, enhance performance and distribute rewards (Fletcher, 2001). Thus, both practice and research have moved away from a narrow focus on psychometric and evaluation issues to developmental performance appraisal (Fletcher, 2001; Lefkowitz, 2000; Levy and Williams, 2004; Waal, 2003), which may be defined as any effort concerned with enriching attitudes, experiences, and skills that improves the effectiveness of employees (Boswell and Boudreau, 2002).

PERFORMANCE MANAGEMENT

Performance management refers to the entire gamut of activities ranging from goal setting, defining employee productivity and performance measures, conducting periodic performance appraisals, providing constructive performance feedback to employees, implement suitable learning interventions, reward and recognition scheme, leadership development and succession planning. Figure 1 illustrates this concept pictorially.

FIGURE 1 – PERFORMANCE MANAGEMENT – KEY CONSTITUENTS

The results of performance appraisal can be assessed to identify areas of strong performance across all employees, by department or by demographics. Standardized performance assessments allow organizations to aggregate, calculate and analyze results to show where performance is strong. These areas of strength then can serve as benchmarks and opportunities for sharing of best practices for other areas of the organization. Evaluating the results of performance appraisals can also provide departments and organizations with an indication of where additional training and development may be necessary. Performance appraisals can also provide an indication of employees with leadership potential or development needs. Identified employees can be developed through appropriate learning interventions to exercise their competencies. It can also serve as an input to succession planning to ensure continuity of business plans. It is important to ensure that the appraisals be standardized and the results are reviewed, assessed and analyzed to identify competencies and development needs across all functions. Performance appraisals serve as a means to identify, nurture and motivate employees with right behavior, values and attitude while providing suitable interventions to mitigate poor performance. Performance management provides a tool to ensure the retention and growth of employees with demonstrable levels of competence, while providing specific feedback to ensure improvement of non-performing employees.

LITERATURE SURVEY

THE EFFECT OF PERFORMANCE APPRAISALS ON EMPLOYEE RETENTION (MAYHEW, 2012)

Employee performance appraisals and the managers who conduct performance appraisals can affect whether an employee stays with the organization or looks for opportunities elsewhere. In many cases, the reason employees give for resigning from their jobs is based on the quality of their working relationship with management. Training managers to conduct performance appraisals in as candid and objective a manner as possible will help your company improve employee retention.

- **Constructive Feedback**

Performance appraisals are designed to provide employees with constructive feedback. Providing constructive feedback means suggesting ways to improve employee skills and performance. Leadership training that focuses on delivering feedback on a consistent basis supports an employer's philosophy on coaching for excellence. However, feedback should occur more regularly than an annual performance appraisal to improve employee retention. Managers who are reluctant to give continuous feedback and instead wait until the end of an evaluation period are doing a disservice to the employer and employee.

- **Professional Goals**

Performance appraisals give employees an opportunity to discuss with their managers short-term and long-range professional goals. Using the SMART method to identify specific, measurable, attainable, realistic and time-measured goals should be an exercise manager's support during the performance appraisal meeting. Performance appraisals that fail to address employee goals and professional development lead to disengagement among employees. Disengagement fosters lack of interest and motivation, which leads employees to search for challenging opportunities where they can develop their skills and abilities.

- **Succession Planning**

For large organizations, in particular, succession planning is an organized method of identifying future leadership. In small companies, succession planning can be an informal way of developing employee skills for future leadership roles. However, regardless of the organization's size and type, performance appraisals for career-oriented employees should contain plans for training, professional development and other means by which the company intends to mentor promising leaders. Employees who feel they have the requisite skills and ambition for future roles within the company can become disillusioned if performance appraisals focus solely on their current skills without regard to promotional opportunities.

- **Performance Standards**

Performance standards are an essential part of employee appraisals. Performance standards identify the effort necessary for an employee to meet or exceed the company's job expectations. For managers to conduct fair and comprehensive performance appraisals, there must be a mutual agreement about the employee's performance standards. Disconnects between an employee's understanding and the manager's interpretation of performance standards result in ineffective appraisals. When there's lack of communication about performance standards, it can lead to employees who are unhappy or dissatisfied with their current employment.

HOW CAN PERFORMANCE MANAGEMENT AID EMPLOYEE RETENTION? (ANDERSON, 2012)

Retaining employees is a way that companies protect their investment in personnel because it costs money to recruit and train employees. When experienced employees are lost, production suffers first from the loss of the employee and then from the time it takes to get a new employee up to speed. Part of retaining employees is enacting a policy of performance management. Understanding the benefits of performance management can help justify any expense.

- **Career Development**

A component of performance management is using the annual performance appraisal to create a development plan for each employee. The manager and employee take an active role in working on a program that will lead the professional development and career advancement of the employee. When the company takes the time to work with the employee on his career, it creates a sense of dependency and loyalty from the employee. Employees tend to remain at companies that show a vested interest in employee success.

- **Skill Set**

One of the company's responsibilities in an employee performance management program is to provide continuous training for staff members on the newest methods or equipment. When a company invests in continuously upgrading the skill set of its staff, the employees are able to approach their jobs with confidence. Employees know that the company is taking the time and using the resources necessary to make sure everyone has the newest information and equipment to work with, and that helps employees to approach their jobs with a high level of satisfaction.

- **Interactive**

There is an interactive element in performance management that puts the employee and manager together to help keep the employee productive. A successful performance management program teaches your managers to be career coaches as much as they are managers. It opens up the relationship between employee and manager to be very interactive. The employee begins to feel responsible for the path his/her career takes and creates an emotional investment in his/her future. Strong feelings of responsibility and a sense that the employee is just as involved in the development of the company help to increase retention.

- **Challenge**

A performance management program is designed to find ways to develop the employee and improve productivity. Along with the feeling of a structured development plan, employees also are given the challenge to improve themselves. If an employee indicates that he wants to take on more responsibility, then a performance management plan is put in place to develop the ability to take on more. The feeling of being challenged in the pursuit of career development is a way in which performance management aids in employee retention.

EMPLOYEE RETENTION – REDUCING RECRUITMENT BY INCREASING RETENTION (DRAKE, 2012)

Retention starts at the top. Sourcing, hiring and retaining motivated employees are the responsibility of an organization's governing board and Leadership Team. Acquiring and retaining good staff demands focused formal and informal policies and procedures that make retention a prime management outcome. Managers need to appreciate employees on a regular basis and constantly work to keep them on board. The HR department alone cannot reduce turnover. For significant, positive change, company leaders must establish distinct retention processes and programs within all levels of an organization. After finding the right people, it is the primary role of the management to take responsibility for the success of the employees including leading people towards performance goals and targets.

The High Cost of Employee Turnover

The costs of high staff turnover can be very high. Some of the substantial costs that occur when an employee leave and organization include the following:

- **Recruitment costs:** Includes advertising costs and costs associated with the time spent by staff on interviewing and sourcing
- **Training costs:** Trainer and training costs, infrastructural and administrative costs, opportunity costs
- **Lost Productivity Costs:** New employees operates between 25%-50% of productivity levels for the first three months, not including the time spent by existing employees for orientation and on-the-job training

- **Lost Sales Costs:** The loss of business when the role is vacant. According to William G. Bliss, advisor to entrepreneurial companies, figures can easily reach 150% of an employee's annual salary. The cost will be significantly higher (200% to 250% of salary) for managerial and sales positions

The problem is not just the direct financial costs of replacing staff but includes other repercussions such as the loss of skills, knowledge and experience, disruption to operations and the negative effect on workforce morale. In addition, high turnover represents a considerable burden both on HR representatives and managers who are constantly recruiting and training new staff.

The Impact on Business

Replacing staff is not only expensive but also impacts the reputation of an organization. An organization with a high turnover finds it difficult to attract new talent. No one feels confident dealing with an organization which cannot hold onto their employees. It suggests instability, poor management and a lack of good planning. In addition to the bitterness of the employee during their exit (voluntary or involuntary), the organization is drained of key knowledge and skills learnt by the employee on-the-job. Reactively losing talented individuals can damage an organization's reputation for years to come. Lastly, constant high turnover creates unrest in present employees. Positions which are made vacant create increased workloads for other staff members – often outside their position profiles. The sense of instability and frustration can cause work backlogs and slow productivity. Yet, perhaps more fundamentally, the employee's lack of faith in the organization when they see their co-workers departing will affect productivity work levels in unbelievably negative ways.

What are you doing about the problem?

Most firms have by now long forgotten the lessons they learned about retention during the economic slowdown in the nineties. Many managers have grown arrogant because the last few years of high unemployment guaranteed that most employees would have to take whatever they dished out. Over 75% of firms have no distinct retention strategies and those with plans have let them fall into neglect.

The Basic Elements of Retention Strategies

As the economy improves and firms look to build their talent strength, it is only logical that senior leaders, managers and HR professionals will increasingly look at retention as a major business imperative. Dr. Sullivan, an HR advisor to Fortune 500 and Silicon Valley firms, states in his article "Expanding the Scope of Your Retention Efforts" that most newly enacted retention efforts will not only fail — they do so miserably. As someone who has been designing retention solutions for corporations for well over a decade, Dr. Sullivan says the reason for this is that many firms define the goals of the retention program too narrowly. For example, if the goal is defined as merely to "keep good people," you are automatically dooming the effort by failing to identify specifics that can be measured. Rather, a broad set of carefully planned criteria is essential when building a strong retention program. The solutions addressed in the following section were recognized and created by industry professionals whose experience proves invaluable to any company, of any size. They have helped organizations realize their productivity goals through the retention of top performers and the reduction of recruiting. Organizations need to give careful consideration to the retention of top performers. This will reduce the need for recruitment and save time and money. Organizations can realize their productivity goals through the following activities:

- Top Performer Profiling
- Orientation and On Boarding
- Performance Reviews
- Career Profiling and The Two-Way Value Proposition
- Communication and Employee Engagement
- Morale Boosting
- Competitive Compensation
- Non-monetary Reward and Recognition
- Employee Surveys
- Exit Interviews
- The Boomerang Effect

Positive feedback on a regular basis does more to propel success in an individual than any other performance related activity. Performance reviews are a chance to formally communicate an employee's contribution to the organization. A properly administered performance review provides employee's and their manager's an opportunity to step back, look at the bigger picture of the employee's performance and to discuss in broad strokes whether the performance is below or above expectations. Performance Reviews increase the chance of an underperforming employee improving their performance. The modern day workplace mandates that employee criticism must be supported by a concrete action plan to assist the employees in achieving and attaining success. Employee encouragement through constructive open reviews is a proven step that will help even the most average of employees to raise their performance and quality standards in line with organizational requirements.

GOOD PERFORMANCE MANAGEMENT AIDS RETENTION AND PRODUCTIVITY (U.S. OFFICE OF PERSONNEL MANAGEMENT, 1999)

Performance management processes are a key to creating a productive work climate and retaining good employees. The performance management processes of planning, monitoring, developing, and rewarding performance surface time and again as critical factors for success. For example, in the 1998-1999 Hay Employee Attitudes Study, "Competing for Talent: Creating A Work Climate to Attract, Motivate and Retain High Performing Employees," the Hay Group compares two groups of employees — those committed to the organization and those planning to leave. Many of the critical factors affecting employee retention relate to the quality of performance management. These include:

- Type of work (planning)
- Coaching/feedback from boss (monitoring)
- Opportunity to learn new skills (developing)
- Training (developing)
- Recognition for a job well done (rewarding)

In another study of 100,000 employees of 2,500 organizations, the Gallup Organization pinpointed employee attitudes that are present in highly productive work groups and that relate directly to the rate of employee turnover, customer satisfaction, and productivity. Many of these attitudes reflect effective performance management practices. Employees in such work groups report high levels of agreement with the following statements:

- I know what is expected of me at work (planning)
- At work, I have the opportunity to do what I do best every day (planning)
- In the last 6 months, someone at work has talked to me about my progress (monitoring)
- There is someone at work who encourages my development (developing)
- I have the materials and equipment I need to do my work right (developing)
- This last year, I have had opportunities at work to learn and grow (developing)
- In the last 7 days, I have received recognition or praise for doing good work (rewarding)

These findings highlight performance management as a critical process for organizational success. Additional supporting data comes from the nationwide survey "Attracting and Retaining High-Technology Talent," co-sponsored by William M. Mercer, Inc. and the Pittsburgh High Technology Council. This report highlights best tactics for retaining experienced employees. Several of these tactics relate to effective performance management, including:

- Allocating challenging work assignments (planning)
- Offering career development opportunities (developing)

- Providing incentives under variable pay arrangements (rewarding)

The results of these surveys show that effective performance management is critical to retaining good employees and achieving a productive work environment. The following are some essential activities that are precursor to ensuring effective organizational performance management:

- Set goals and plan work routinely
- Measure progress toward those goals
- Provide feedback to employees
- Develop employees' skills so they can reach their goals
- Use formal and informal rewards to recognize the behavior and results that accomplish organizational mission

A CRITICAL RESEARCH AGENDA FOR ORGANIZATIONAL PERFORMANCE MEASUREMENT (HOLLOWAY, 2000)

Managers are continually under pressure to measure the performance of their organization, but there is little empirical evidence about the impact of measurement on performance. Furthermore, many measurement tools and techniques lack clear theoretical foundations. Holloway (2000) has investigated neglected aspects of organizational performance measurement, reflecting the concern of managers and illustrating the potential impact of theoretical developments on practice. Issues about theory, epistemology and methodologies that accompany such a research agenda are also raised. In practice, while managers are bombarded with literature about 'successful' applications of such approaches, gaining the promised benefits is not guaranteed simply by following their promoters' prescriptions. Choosing appropriate approaches to performance measurement for the needs of the organization, implementing them systematically, and evaluating their impacts internally and externally, are three complex sets of processes which managers have to grapple with while being under increasing pressure to actually deliver 'optimum performance' now. One of the major problems with conventional performance measurement is the ease, with which organizational wholes are carved up, and their interactions with their environments cease to be of interest as management functions or academic disciplines devise measures (and associated targets) for their own territory. Improving our understanding of performance measurement by applying (for example) accounting, marketing or human resource theories more rigorously and actively may well have some merits, but risks substituting 'reductionism by theory' for reductionist practice.

INFERENCES FROM LITERATURE SURVEY

This review of turnover literature identifies a range of factors that have been shown to be consistently linked to turnover. These include organizational commitment, job satisfaction, alternative opportunities and reward and recognition. Evidence on the role of employee remuneration is still somewhat inconclusive, although keeping remunerations in line with market rates is certainly critical to retaining critical employees. Apart from age and tenure, personal characteristics of employees appear to have little relationship to turnover. It is however evident that a strong performance management system with an integrated reward and recognition structure helps in high level of employee engagement and increased employee retention.

SAMPLING AND DATA COLLECTION

A structured, non-standardized research instrument to collect primary data was administered on a sample of 129 employees of a leading Telecom organization in Navi Mumbai, India. A total of 25 construct items were included in the instrument. The construct items and the responses are presented in appendix A1 and A2. The demographic details of the participants are given in appendix A4.

RELIABILITY

The reliability of the research instrument was established using Cronbach's Alpha. The analysis was done using JMP Ver. 5.0. The results are presented in table 1. It can be seen that the overall reliability of the research instrument is 0.92, which is excellent. Further the reliability of the individual construct items are also greater than 0.9.

TABLE 1 - RESEARCH INSTRUMENT – RELIABILITY STATISTICS

Cronbach's Alpha		Alpha	- .8	- .6	- .4	- .2	0	.2	.4	.6	.8
Entire set	0.9250										
Excluded Col	Alpha	- .8	- .6	- .4	- .2	0	.2	.4	.6	.8	
F1	0.9240										
F2	0.9213										
F3	0.9211										
F4	0.9212										
F5	0.9198										
F6	0.9195										
F7	0.9186										
F8	0.9191										
F9	0.9215										
F10	0.9197										
F11	0.9224										
F12	0.9293										
F13	0.9287										
F14	0.9197										
F15	0.9208										
F16	0.9195										
F17	0.9190										
F18	0.9219										
F19	0.9215										
F20	0.9207										
F21	0.9204										
F22	0.9254										
F23	0.9287										
F24	0.9220										
F25	0.9264										

CO-RELATIONAL ANALYSIS

The significant co-relations are presented in table 2. The primary inferences are noted below:

TABLE 2 – SIGNIFICANT CO-RELATIONS

S.N	Significant Co-relations
1	F2 & F3
2	F5 & F6, F7, F8, F17
3	F6 & F8, F14, F17
4	F7 & F8, F10, F14, F17
5	F8 & F10, F14, F17
6	F9 & F10
7	F10 & F14
8	F14 & F16, F17
9	F15 & F16, F17
10	F17 & F21
11	F8 & F19, F20

- 68% respondents believe that promotions are based on competencies and hence the PMS process supports career growth and development
- Only 34% of the respondents indicate that the factors facilitating individual performance are the primary drivers during performance appraisals- while the balance 66% consider individual, team and organization performance as the key drivers
- 43% of the respondents believe that sufficient career development and growth opportunities are provided based on performance. The opinion of 20% of the respondents was neutral and the rest 37% did not agree
- Only 39% of the respondents feel that they could effectively communicate their disagreement regarding the appraisal ratings with their manager’s and the rest had no disagreement
- Nearly 59% of the respondents felt their skills and work experience is aligned to their roles and responsibilities
- 58% of the respondents agree that their manager assists them in meeting their personal and professional goals and the rest felt there could have been better coordination by the Manager
- The key indicators have provided a clear linkage between PMS process, reward and recognition and employee motivation and willingness to stay. It also highlights the strong connection between organization’s recognition of employee performance and employee’s ability to seek long term career based on rewards, development and career progression

The co-relational analysis of the key construct items is presented in table 3. The significant co-relations have been highlighted in orange and green. The figures highlighted in orange have an extremely high co-relation while those highlighted in green have significant co-relation.

TABLE 3 – CO-RELATIONAL ANALYSIS

	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19	F20	F21	F22
F1	1.00	0.44	0.41	0.40	0.35	0.33	0.37	0.24	0.31	0.28	0.16	0.04	-0.02	0.22	0.39	0.35	0.28	0.29	0.28	0.35	0.28	0.20
F2	0.44	1.00	0.75	0.55	0.54	0.45	0.46	0.47	0.32	0.40	0.30	-0.07	0.02	0.39	0.40	0.39	0.42	0.41	0.57	0.45	0.28	0.17
F3	0.41	0.75	1.00	0.55	0.54	0.43	0.47	0.49	0.35	0.44	0.32	0.06	0.02	0.40	0.40	0.37	0.41	0.38	0.57	0.43	0.28	0.24
F4	0.40	0.55	0.55	1.00	0.51	0.50	0.48	0.47	0.37	0.49	0.41	0.17	0.17	0.37	0.37	0.47	0.46	0.37	0.31	0.44	0.37	0.18
F5	0.35	0.54	0.54	0.51	1.00	0.77	0.72	0.63	0.49	0.56	0.43	0.06	0.08	0.54	0.43	0.52	0.62	0.33	0.40	0.42	0.10	0.10
F6	0.33	0.45	0.43	0.50	0.77	1.00	0.82	0.67	0.50	0.59	0.45	0.03	0.12	0.46	0.46	0.57	0.64	0.34	0.36	0.34	0.14	0.14
F7	0.37	0.46	0.47	0.48	0.72	0.82	1.00	0.74	0.58	0.63	0.49	0.11	0.13	0.47	0.50	0.60	0.65	0.37	0.38	0.38	0.19	0.19
F8	0.24	0.47	0.49	0.47	0.63	0.67	0.74	1.00	1.00	0.66	0.57	-0.01	0.05	0.66	0.48	0.56	0.61	0.37	0.36	0.36	0.19	0.19
F9	0.31	0.32	0.35	0.37	0.49	0.50	0.58	0.59	1.00	0.63	0.47	0.10	0.07	0.44	0.38	0.40	0.44	0.30	0.33	0.40	0.17	0.17
F10	0.28	0.40	0.44	0.49	0.56	0.59	0.66	0.63	0.63	1.00	0.58	0.12	0.21	0.45	0.50	0.51	0.44	0.30	0.35	0.41	0.14	0.14
F11	0.16	0.30	0.32	0.41	0.43	0.45	0.49	0.57	0.47	0.58	1.00	0.22	0.07	0.32	0.32	0.43	0.40	0.23	0.24	0.31	0.05	0.05
F12	0.04	-0.07	-0.06	0.04	0.06	0.03	0.11	-0.01	0.10	0.12	0.22	1.00	0.19	0.04	-0.10	-0.03	-0.03	-0.07	-0.17	-0.04	0.01	0.01
F13	-0.02	0.02	0.02	0.17	0.08	0.12	0.13	0.05	0.07	0.21	0.07	0.19	1.00	0.21	0.03	0.08	0.06	0.14	-0.01	0.10	0.06	0.06
F14	0.22	0.39	0.37	0.38	0.54	0.63	0.68	0.66	0.44	0.60	0.43	0.04	0.21	1.00	0.57	0.61	0.63	0.34	0.38	0.36	0.50	0.50
F15	0.39	0.40	0.40	0.37	0.43	0.46	0.50	0.48	0.38	0.45	0.32	-0.10	0.03	0.57	1.00	0.65	0.63	0.56	0.50	0.48	0.50	0.50
F16	0.35	0.39	0.37	0.47	0.52	0.57	0.60	0.56	0.40	0.50	0.43	-0.03	0.08	0.61	0.65	1.00	0.76	0.46	0.43	0.47	0.64	0.64
F17	0.28	0.42	0.41	0.46	0.62	0.64	0.65	0.61	0.44	0.51	0.40	-0.03	0.06	0.63	0.63	0.76	1.00	0.49	0.53	0.53	0.62	0.62
F18	0.29	0.41	0.38	0.37	0.33	0.34	0.37	0.37	0.30	0.35	0.23	-0.07	0.14	0.34	0.56	0.46	0.49	1.00	0.64	0.63	0.40	0.40
F19	0.28	0.57	0.57	0.31	0.40	0.36	0.37	0.36	0.33	0.35	0.24	-0.17	-0.01	0.38	0.50	0.43	0.53	0.64	1.00	0.67	0.44	0.44
F20	0.35	0.45	0.43	0.44	0.42	0.34	0.38	0.41	0.40	0.41	0.31	-0.04	0.10	0.36	0.48	0.47	0.53	0.63	0.67	1.00	0.49	0.49
F21	0.28	0.44	0.41	0.40	0.35	0.33	0.37	0.24	0.31	0.28	0.16	0.04	-0.02	0.22	0.39	0.35	0.28	0.29	0.28	0.35	0.28	0.33
F22	0.20	0.17	0.24	0.18	0.10	0.14	0.19	0.19	0.17	0.14	0.05	0.05	0.08	0.26	0.25	0.22	0.17	0.27	0.27	0.32	0.33	0.33

PARTITION ANALYSIS

The collected data was subjected to partition analysis to identify the key contributors to the retention of employees within an organization. JMP's partition platform enables the systematic analysis of large data sets to discover unsuspected or unknown relationships. JMP uses visualization to create a successive tree of partitions according to a relationship between the contributing and the output variables. It finds a set of groupings of contributors that best predict an output by exhaustively searching all possible groupings, recursively forming a tree of decision rules until the desired fit is reached. The key contributors and are presented in table 4. The significance column is indicative of the importance of the parameter and is derived from the employee responses. The value in percentage is provided in the contribution column.

TABLE 4 - PARTITION ANALYSIS – COLUMN CONTRIBUTIONS

Column Contributions – Factors Impacting Employee Retention			
Variable	Parameter	Significance	Contribution
F6	Goal setting through PMS	36.79	52%
F17	Alignment with organizational mission and vision through PMS feedback	9.70	14%
F3	Understanding of KRA's prior to commencement of appraisal cycle	8.63	12%
F7	Facilitating a collaborative working environment through effective performance management systems	3.86	5%
F21	PMS based promotions	3.06	4%
F14	Holistic performance appraisals	2.71	4%
F24	Performance based career development and growth opportunities	2.65	4%

- The results of the partition analysis are summarized in table 4 (Leaf report is highlighted in Appendix A3). The primary factor impacting retention is the setting of clear cut goals for employees. It is imperative that an organization provides a value proposition to its employees by integrating their professional and personal goals while jointly mapping plans for the future. This is possible through a well established performance appraisal process and a holistic performance management system (PMS). This study has established that goal setting through PMS is the primary factor (52%) that positively impacts employee retention
- Positive feedback on a regular basis does more to propel success in an individual than any other performance related tactic. Performance reviews are a chance to formally communicate an employee's contribution to the organization. A properly conducted performance review provides the employee and their manager an opportunity to analyze employee performance in relation to organizational goals and provide constructive feedback in case of non performance. This study has reinforced that fact that performance feedback is the second most important factor that impacts retention (14%)
- Assigning key performance areas, setting up of performance targets for each employee in the organization and linking it to performance based appraisals results in the creation of a vibrant result oriented work culture. The key result area (KRA) is a formal communication of the tasks expected to be handled by an employee during an appraisal period. A clear undercut understanding of the KRA's including their measurement and scoring system prior to the commencement of an appraisal cycle helps an employee focus on key performance indicators resulting in enhanced employee and organizational performance. This is the third factor that impacts retention significantly (12%)
- In addition to the three primary factors mentioned above, the study has established that an effective performance management system facilitates a collaborative work environment and a transparent appraisal system resulting in performance based promotions, career development and growth opportunities for employees. These combined factors also have an impact on employee retention (12%)
- The study has also highlighted the role of automation in the performance management process in an organization. An automated PMS facilitates timely and periodic performance appraisals, reduces human error, better performance analysis and communication with employees. Timely completion of the appraisal process followed by realization of rewards (monetary or otherwise) helps sustain employee morale and motivation resulting in superior performance

CONCLUSION

A good PMS process fosters team work, fuels superior performance and perpetuates a sense of belongingness and pride. It inculcates discipline and rewards superior contributions. Performance appraisals provide employees with constructive feedback resulting in improved skills and performance. It provides employees with an opportunity to discuss with their managers short-term and long-range professional goals that are specific, measurable, attainable, realistic and time-measured. The success and failure of any organization depends on the performance of the employees and the consequent rewards and recognition process which ensures employee retention. Appraisals are important in demonstrating and aligning employee's contributions with the organization's objectives. Disengagement fosters lack of interest and motivation, which leads to employee exits. Performance measurement and consequence management is essential and integral to enhance employee productivity, engagement and reduced employee turnover. This research has validated the importance of a robust PMS in the Indian service industry and its impact on employee retention.

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APPENDIX

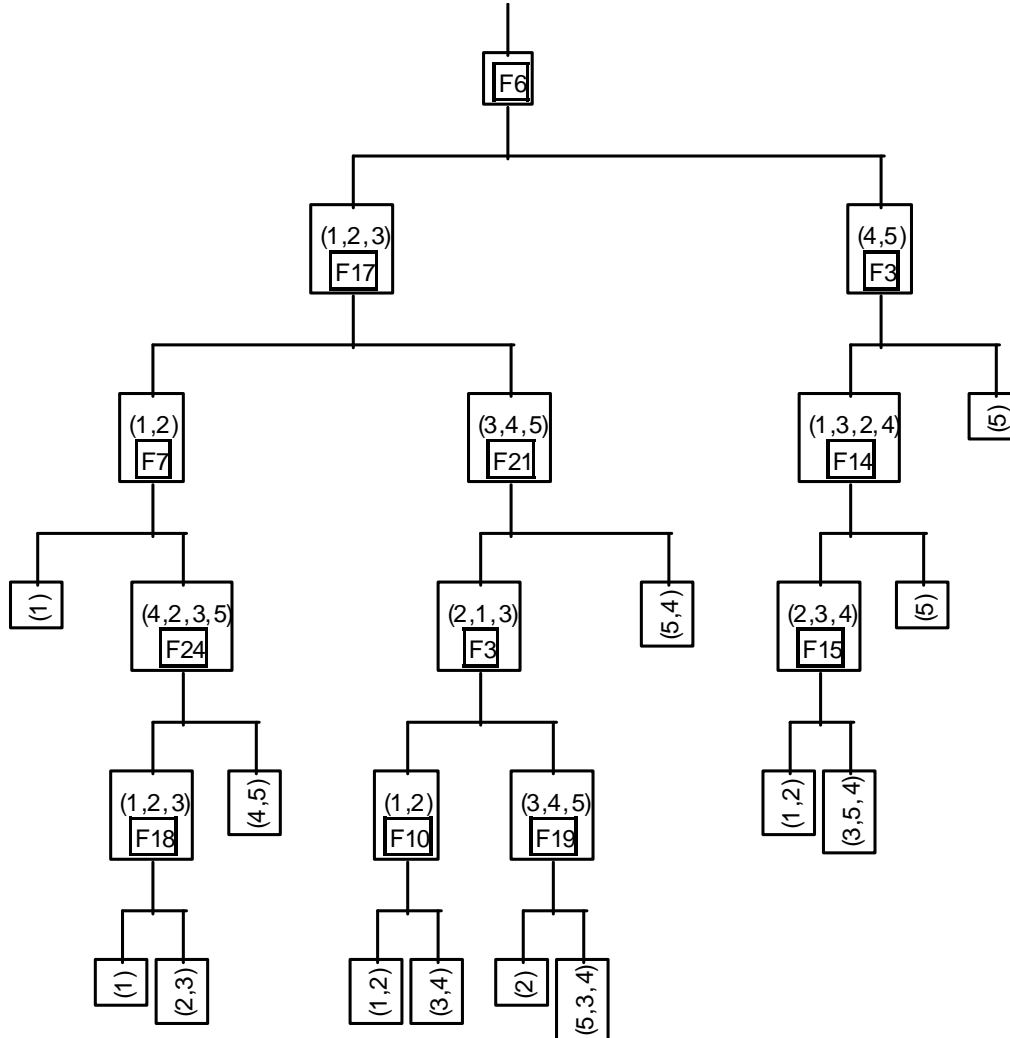
A1 – CONSTRUCT DESCRIPTIONS

Construct	Description
F1	Induction Training
F2	Goal Setting
F3	Appraisal Deliverables
F4	Job Expectations
F5	Well Defined PMS Policy
F6	Effective goal setting through PMS
F7	Collaborative Work Environment
F8	Fair and Equitable PMS
F9	PMS Automation
F10	Periodic PMS Review
F11	Grievances handling through PMS process
F12	Gender Discrimination in the PMS rating process
F13	Effective Salary Structure
F14	Holistic Appraisals
F15	Effective PMS Communication
F16	Job Enrichment through PMS feedback
F17	Alignment with Organizational Mission and Vision
F18	Competency Mapping
F19	Effective Leadership
F20	Effective Team Building
F21	Promotions based on PMS
F22	Reward and Recognition Structure
F23	PMS Alignment with Reward and Recognition
F24	Career Development and Growth
F25	Infective PMS - High Attrition

A2 – SUMMARY OF QUESTIONNAIRE RESPONSES

Rating	F1	F2	F3	F4	F5	F6	F7	F8	F9	F10	F11	F12	F13	F14	F15	F16	F17	F18	F19	F20	F21	F22	F23	F24	F25
Strongly Agree	15%	15%	12%	8%	8%	9%	9%	6%	9%	5%	5%	5%	12%	5%	6%	7%	9%	14%	16%	18%	10%	24%	24%	12%	15%
Agree	47%	53%	46%	47%	40%	32%	25%	26%	52%	47%	26%	22%	22%	30%	33%	30%	30%	45%	43%	48%	22%	22%	20%	32%	28%
Neutral	22%	17%	24%	25%	22%	29%	37%	33%	21%	19%	40%	26%	33%	27%	26%	26%	31%	22%	26%	17%	37%	29%	33%	21%	37%
Disagree	10%	9%	10%	14%	16%	16%	13%	17%	8%	15%	18%	34%	24%	23%	22%	22%	16%	10%	11%	10%	16%	17%	12%	20%	9%
Strongly Disagree	7%	7%	8%	6%	14%	13%	16%	17%	11%	14%	11%	12%	9%	15%	13%	15%	14%	9%	5%	7%	15%	7%	11%	16%	12%

A3 – PARTITION ANALYSIS – LEAF REPORT



A4 – DEMOGRAPHIC ANALYSIS

AGE PROFILE OF RESPONDENTS

Age Group	Count	%
21 to 25 yrs	5	4%
26 to 30yrs	51	40%
31 to 35 yrs	34	26%
36 to 40 yrs	22	17%
41 to 45 yrs	13	10%
46 to 50 yrs	3	2%
50 yrs & above	1	1%
Grand Total	129	100%

ACADEMIC PROFILE OF RESPONDENTS

Qualification	Count	%
B.E./B. TECH.	92	71%
MBA	3	2%
BE+MBA	6	5%
OTHERS	28	22%
Grand Total	129	100%

WORK EXPERIENCE PROFILE OF RESPONDENTS

Experience	Count	%
>3 to 7 yrs.	53	41%
>7 to 10 yrs.	29	22%
>10 to 15 yrs.	23	18%
15 yrs. & above	24	19%
Grand Total	129	100%

FAMILY PROFILE OF RESPONDENTS

Marital Status	Count	%
Married	96	74%
Single	33	26%
Grand Total	129	100%

RESPONDENTS GENDER PROFILE

Gender	Count	%
Male	114	88%
Female	15	12%
Grand Total	129	100%



REQUEST FOR FEEDBACK

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At the very outset, International Journal of Research in Commerce and Management (IJRCM) acknowledges & appreciates your efforts in showing interest in our present issue under your kind perusal.

I would like to request you to supply your critical comments and suggestions about the material published in this issue as well as on the journal as a whole, on our E-mail i.e. **infoijrcm@gmail.com** for further improvements in the interest of research.

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I am sure that your feedback and deliberations would make future issues better – a result of our joint effort.

Looking forward an appropriate consideration.

With sincere regards

Thanking you profoundly

Academically yours

Sd/-

Co-ordinator

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In this age of Commerce, Economics, Computer, I.T. & Management and cut throat competition, a group of intellectuals felt the need to have some platform, where young and budding managers and academicians could express their views and discuss the problems among their peers. This journal was conceived with this noble intention in view. This journal has been introduced to give an opportunity for expressing refined and innovative ideas in this field. It is our humble endeavour to provide a springboard to the upcoming specialists and give a chance to know about the latest in the sphere of research and knowledge. We have taken a small step and we hope that with the active co-operation of like-minded scholars, we shall be able to serve the society with our humble efforts.

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